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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Tight credit, rising oil prices, and uncertainties in the Persian Gulf are contributing to a slowdown in the U.S. economy. If such trends continue, a decline in GNP is expected in the fourth quarter of 1990 and the first quarter of 1991.

Tight credit has dampened consumer and business spending. Statistics released by the U.S. Department of Commerce show that consumer spending failed to grow in October for the first time in 5 months. Personal income rose by just 0.1 percent in October compared with 0.5 percent growth in September 1990. Businesses cut back on their production to match the decline in demand and to reduce their inventories. As a result, industrial production plunged 1.7 percent in November 1990, the biggest drop since January 1982. In addition, GNP growth was revised downward to a 1.4 percent annual rate by the Department of Commerce from the 1.7 percent rate estimated earlier.

Against this background of slow growth, the Federal Reserve increased the Nation's money supply on the premise that monetary expansion would induce banks to increase lending and consumers and businesses to increase spending. Key short-term interest rates and the discount rate were cut and the reserves that banks are required to maintain were lowered. Some economists, however, doubt that these steps, although necessary, are sufficient to unleash forces of recovery. Loose monetary policy has the drawback of igniting inflationary expectations that could result in financial uncertainties and lower business spending. Relatively lower interest rates in the United States could also discourage foreign investment and capital inflows. Inflationary expectations could lower the value of the dollar and render imports more expensive than before, thus compounding inflationary pressures.

Higher oil prices worsened the 1990 third-quarter current account deficit and the monthly trade deficit in October 1990. The U.S. Department of Commerce reported that the seasonally adjusted current account deficit widened to $25.6 billion in the third quarter from $22.5 billion in the second quarter of 1990. Exports of merchandise and services rose to $162.8 billion in the third quarter from $159.3 billion in the second quarter, but imports increased to $184.3 billion from $177.4 billion.

Services trade showed weaker performance whereas income on U.S. foreign investment abroad strengthened. The services trade surplus slipped to $5.8 billion in the third quarter from $6.0 billion in the second quarter. In contrast, the $1.0 billion deficit on investment income of the second quarter shifted to a surplus of $2.5 billion in the third quarter, as returns from U.S. assets abroad exceeded payments on foreign assets held in the United States.

U.S. net direct investment quadrupled, rising to a record $19.3 billion in the third quarter from $4.85 billion in the second quarter. U.S. net purchases of foreign securities, however, fell precipitously to $913 million in the third quarter from a record $11.25 billion in the second quarter. Uncertainty in financial markets and depressed stock prices accounted for the decline in securities purchases. In October 1990, imports were $5.0 billion and exports were $2.8 billion higher than in September. Economic forecasts for 1991 point to weaker growth in Japan. Japanese GNP is expected to slow from an average growth rate of 5.5 percent to 3.0 percent. The OECD forecasts that the external imbalances of the United States, Japan and Germany will rapidly diminish. The U.S. deficit and the surpluses of Japan and Germany are expected to decline to 2.0 percent of their GNPs in 1991, (compared with an average rate of 4.0 percent).

Economic Growth

The annualized rate of real economic growth in the United States in the third quarter was revised downward to 1.4 percent from the 1.7 percent rate estimated previously. This growth rate was higher than the 0.4 percent growth rate recorded in the second quarter of 1990 but lower than the 1.7 percent growth rate registered in the first quarter. The annualized rate of real economic growth in the third quarter of 1990 was -4.0 percent in the United Kingdom, 6.8 percent in Germany, 5.3 percent in France, 4.1 percent in Japan, -1.0 percent in Canada. The annualized rate of real growth in the second quarter of 1990 was -0.8 percent in Italy.

Industrial Production

U.S. industrial production dropped by 1.7 percent in November 1990, the biggest monthly drop since January 1982. In October 1990, industrial production declined by 0.9 percent after decreasing by 0.1 percent in September 1990. The November 1990 index was 0.6 percent lower than it was in November 1989. A drop of 20.0 percent in auto and truck production along with declines in other related industries accounted for more than half of the November decline. In addition, output of utilities fell 3.6 percent owing to the unseasonably warm November weather. Major industry groups experienced output declines. Manufacturing output fell 1.7 percent from October, and 0.6 percent from November 1989, mining and utilities output fell 0.1 percent and 3.6 percent respectively. Capacity utilization in manufacturing, mining, and utilities dropped in November 1990 by 1.5 percent to 80.9 percent, its lowest level since May 1987.

Other major industrial countries reported the following annual growth rates of industrial production. In the year ending October 1990, Japan reported an

increase of 8.2 percent, Germany reported an increase of 5.3 percent, and the United Kingdom reported a decrease of -1.5 percent. In the year ending September 1990, Italy reported a decrease of 0.6 percent, Canada reported a decrease of 4.2 percent and France reported an increase of 2.4 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.2 percent in November 1990 from the previous month, and increased by 6.3 percent during the year ending November 1990. During the 1-year period ending November 1990, consumer prices increased by 3.0 percent in Germany, 6.5 percent in Italy, 9.7 percent in the United Kingdom, 3.6 percent in France, and 5.0 percent in Canada. During the 1-year period ending October 1990, consumer prices increased 3.5 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) increased in November to 5.8 percent from 5.6 percent in October 1990.

In November 1990, Germany reported an unemployment rate of 6.7 percent, Canada reported 9.1 percent and the United Kingdom reported 6.2 percent unemployment. In October 1990, unemployment in Japan was reported at 2.2 percent; France, 8.9 percent; and Italy, 9.8 percent. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Investment Spending

Investment spending is expected to drop markedly in 1991 from 1990. The U.S. Department of Commerce reported that U.S. businesses plan to increase spending for new plant and equipment by just 2.4 percent from 1990 to 1991 compared with a 5.2 percent increase in 1990. Real spending is expected to increase 0.4 percent in 1991 compared with an increase of 4.1 percent in 1990. The estimate of real spending is based on a projected increase of 2.0 percent in the implicit price deflator for new plant and equipment from 1990 to 1991. Manufacturing plans an increase of 0.7 percent in spending for 1991 compared with an increase of 4.6 percent in 1990.

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for October 1990 to September 1991, by four major forecasters, and the simple average of

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1990-91

Quarter	*UCLA Business Forecasting Project*	*Merrill Lynch Capital Markets*	*Data Resources Inc.*	*Wharton E.F.A. Inc.*	*Mean of 4 fore-casts*
GNP:[1]					
1990:					
October-December	4.6	2.6	1.3	3.8	3.1
1991:					
January-March	2.8	3.7	1.7	3.4	2.9
April-June	2.7	4.5	3.5	6.3	4.2
July-September	5.7	6.5	6.3	7.0	6.4
GNP:[2]					
1990:					
October-December	-1.5	-2.0	-1.9	-1.3	-1.7
1991:-1.6					
January-March	-1.6	-1.6	-2.1	-1.1	-1.6
April-June	-1.6	0.4	-0.4	1.4	-0.1
July-September	1.9	2.5	2.8	2.8	2.5
GNP deflator index:					
1990:					
October-December	6.2	4.7	3.2	5.2	4.8
1991:					
January-March	4.5	5.3	3.9	4.5	4.5
April-June	4.3	4.1	3.9	4.9	4.3
July-September	3.8	3.9	3.4	4.1	3.8
Unemployment, average rate:					
1990:					
October-December	6.1	5.9	5.9	5.9	6.0
1991:					
January-March	6.7	6.3	6.4	6.4	6.5
April-June	7.5	6.6	6.9	6.8	7.0
July-September	7.6	6.8	7.0	6.9	7.1

[1] Current dollars.

[2] Constant (1982) dollars.

Note.—Percentage changes in the forecast represent compounded annual rates of change from the preceding period. Quarterly data are seasonally adjusted.

Source: Compiled from data published by The Conference Board. Used with permission.

these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter. The average forecasts point to a sluggish growth in nominal GNP rates and a negative growth in real GNP rates in the remainder of 1990 and the first quarter of 1991 followed by a slight improvement in the second and third quarters of 1991. The possible reasons for the economic slowdown in 1990 and 1991 are the flattening of consumer spending, particularly consumer spending on durable goods and housing as a result of the sharp increases in consumer prices fueled by the rise in oil prices and the increase in excise taxes introduced in the new budget plan, the sharp decline in investment spending because of high real interest rates, the less expansionary fiscal positions adopted by the United States and other industrial countries, and the possibly ensuing slowdown in U.S. exports. The average of the forecasts predicts an increase in the unemployment rate in the remainder of 1990 and the first three quarters of 1991. Inflation (measured by the GNP deflator index) is expected to rise initially and then dip in the second and third quarters of 1991.

U.S. TRADE DEVELOPMENTS

The U.S. merchandise trade deficit widened in October 1990 due to the accelerated rise in imports over the rise in exports of industrial commodities, and the higher prices of oil imports. Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in the tabulation at the bottom of the page.

Including oil, the seasonally adjusted U.S. merchandise trade deficit in current dollars increased by 24.7 percent in October to $11.6 billion from $9.3 billion in September 1990. The October 1990 deficit was 38.1 percent higher than the $8.4 billion average monthly deficit registered during the previous 12-month period, and 13.7 percent higher than the $10.2 billion deficit registered in October 1989. Excluding oil, the October merchandise trade deficit increased by 36.8 percent from September 1990.

In October 1990, both imports and exports of industrial goods increased. However, imports increased considerably faster than exports. Including oil, seasonally adjusted exports in current dollars rose by $2.8 billion in October to $34.8 billion, while imports increased by $5.1 billion to $46.4 billion. Excluding oil, U.S. imports increased by $4.0 to $39.1 billion in October from September 1990. The U.S. oil import bill increased to $7.3 billion in October from $6.2 billion in September 1990.

In contrast, on a cumulative January-October basis, the seasonally adjusted merchandise trade deficit declined by 7.3 percent from a year earlier to $85.9 billion from $92.7 billion; exports increased by $24.8 billion whereas imports increased by $18.0 billion.

In seasonally adjusted constant dollars, the October trade deficit increased by $1.0 billion from September 1990. The trade surplus in advanced technology products declined to $2.2 billion in October from $3.0 billion in September 1990. (Advanced technology products as defined by the U.S. Department of Commerce, include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.)

Export changes on a monthly and cumulative year-to-date basis for specified major exporting sectors are shown in table 2. The October 1990 data show export increases over September in iron and steel mill products, power generating machinery, vehicle parts, general industrial machinery, specialized industrial machinery, airplane parts, organic and inorganic chemicals, electrical machinery, telecommunications, and scientific instruments. Exports decreased from September 1990 in other manufactured goods category. Airplanes exports remained unchanged.

Sectors that recorded the highest increases and contributed most to total exports for the January-October 1990 period compared with the same period of 1989 included electrical machinery, automatic data processing equipment and office machinery, "other manufactured goods" category, airplanes and general industrial machinery.

The U.S. agricultural trade surplus rose to $1.2 billion in October from $1.0 billion in September 1990.

	Exports		*Imports*		*Trade balance*	
	Sept.90	*Oct.90*	*Sept.90*	*Oct.90*	*Sept.90*	*Oct.90*
Current dollars						
including oil	32.0	34.8	41.3	46.4	-9.3	-11.6
excluding oil	31.3	33.9	35.1	39.1	-3.8	-5.2
1987 dollars	29.6	31.9	36.5	39.9	-6.9	-7.9
Three-month-moving average	32.2	33.1	41.6	43.3	-9.4	-10.2
Advanced technology products (not seasonally adjusted)	7.9	7.9	4.9	5.8	3.0	2.2

Table 2
U.S. exports, not seasonally adjusted, of specified sectors, by specified periods, January 1989-October 1990.

Sector	Exports		Change		Share of total	
	January-October 1990	October 1990	January-October 1990 over January October 1989	October 1990 over September 1990	January-October 1990	October 1990
	Billion dollars		Percent			
Manufactures						
ADP equipment & office machinery	20.43	2.20	3.6	2.8	6.2	6.3
Airplanes	16.26	1.43	29.4	0	5.0	4.1
Airplane parts	8.00	0.90	11.3	12.5	2.4	2.6
Electrical machinery	23.59	2.57	11.5	8.0	7.2	7.3
General industrial machinery	13.15	1.41	4.4	17.5	4.0	4.0
Iron and steel mill products	2.60	0.33	-15.9	32.0	0.8	0.9
Organic & inorganic chemicals	11.80	1.36	-6.1	12.4	3.6	3.9
Power generating machinery	13.03	1.52	2.0	20.6	4.0	4.3
Scientific instruments	10.06	1.08	5.4	5.9	3.1	3.1
Specialized industrial machinery	12.85	1.34	6.3	13.6	3.9	3.8
Telecommunications	7.57	0.87	13.3	7.4	2.3	2.5
Textile yarns, fabrics and articles	4.11	0.44	14.5	12.8	1.3	1.2
Vehicle parts	12.36	1.37	11.6	18.1	3.8	3.9
Other manufactured goods[1]	18.76	1.59	26.2	-16.7	5.8	4.5
Manufactured exports not included above	73.70	8.38	9.0	22.2	22.5	23.9
Total manufactures	248.27	26.79	9.3	11.6	75.9	76.4
Agriculture	32.14	3.03	-5.2	9.4	9.8	8.6
Other exports	46.64	5.24	12.0	11.0	14.3	15.0
Total exports	327.05	35.06	8.1	11.3	100.0	100.0

[1] This is an official U.S. Department of Commerce commodity grouping.

Note: Detail lines may not add to totals because of rounding.

Source: U.S. Department of Commerce News (FT 900), November 1990.

U.S. bilateral trade balances on a monthly and cumulative year-to-date basis with major trading partners are shown in table 3. The United States experienced a worsening in bilateral merchandise trade balances in October 1990 with Japan, Canada, the Federal Republic of Germany, the EC, the Newly Industrialized Economies (NIEs) and China, and an improvement with OPEC. The deficit with Japan increased by $1.4 billion, the deficit with the NIEs increased by $400 million, the surplus with the EC of $1.0 billion turned into a deficit of $240 million, the deficit with the Federal Republic of Germany increased by $260 million, and the deficit with China increased by $100 million. In contrast, the deficit with OPEC declined by $180 million to $2.66 billion.

On a year-to-date basis, however, significant improvements occurred in bilateral trade balances with Japan, Canada, the EC and the NIEs compared to a year earlier.

Table 3
U.S. merchandise trade deficits (-), surpluses (+) in billions of dollars, not seasonally adjusted, with specified areas.

Area and country	October 1990	September 1990	October 1989	October 1990	October 1989
Japan	-4.45	-3.05	-4.90	-33.84	-41.50
Canada	-1.38	-1.15	-0.87	-6.02	-7.21
Fed. Republic of Germany	-0.89	-0.63	-0.63	-8.03	-6.72
EC	-0.24	+1.04	-0.25	+4.90	+1.05
Western Europe	-0.63	+0.88	-0.62	+2.86	-1.27
NIEs	-2.15	-1.75	-2.81	-16.96	-20.69
U.S.S.R.	-0.07	-0.01	+0.10	+1.96	+2.79
China	-1.17	-1.07	-0.80	-8.58	-4.88
OPEC	-2.66	-2.84	-1.52	-19.96	-14.43
Total trade balance	-13.42	-9.57	-11.78	-85.40	-91.96

Note. NICS include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Source: U.S. Department of Commerce News (FT-900), December 1990.

INTERNATIONAL TRADE DEVELOPMENTS

South Korea Threatened With 301 Case

The U.S. Trade Representative is considering a section 301 case against South Korea for that country's recent anti-import campaign. The campaign, underway during much of 1990, is intended to discourage Korean consumers from purchasing imported items. Initially directed at luxury items and designed to counter a growing deficit in South Korea's current account, the campaign now includes imported consumer goods, food, and industrial raw materials. South Korea's restrictive practices regarding rice may reportedly be the target of such a probe.

The Korean media has portrayed the anti-import activities as a grassroots movement against excessive consumption. The Government of South Korea says that the lobbying of Korean consumers not to buy imports is not an activity condoned by the Government and is solely the responsibility of consumer groups. The South Korean Government adds that the foreign press exaggerates the scope of the campaign. U.S. administration officials maintain, however, that the South Korean Government has directed the campaign in an attempt to protect Korean producers.

The anti-import campaign began following the appointment of a new team of economic policymakers in March. Shortly thereafter, these officials criticized conspicuous consumption and real estate speculation, warning that buyers of imported cars or Koreans traveling abroad would face tax audits.

U.S. officials are also concerned that the boycott makes South Korea appear not to be fulfilling its market liberalization obligations that headed off retaliation under super 301 earlier this year. In late November 1990, U.S. administration sources said that a section 301 investigation may be started within a few months if the issue is not resolved.

Reportedly, the campaign has resulted in the closing of boutiques specializing in foreign clothing, reduced import and marketing of foreign goods, and removal of U.S. appliances from department store floors. In some major department stores in Seoul, for example, display space previously allocated to imported items has been remodeled to promote domestic goods.

Sales in South Korea of U.S.-made Mercury Sable cars, at one time robust, have slumped in recent months. Sales of Hyundai's top of the line car, however, have reportedly not fallen. European exports of leather goods, cosmetics, fashion garments, and Japanese exports of kitchen and bath products are also suffering from the anti-import drive. Recently, the campaign was widened to include fruits, vegetables, and industrial raw materials.

China Devalues Again

On November 17, 1990, Chinese authorities devalued the renminbi (RMB) by 9.57 percent against the U.S. dollar. Although not large, China's most recent adjustment in the renminbi-dollar rate followed a 21.2-percent devaluation on December 16, 1989, and a turnaround from deficit to surplus in its overall merchandise trade balance since that time. This improvement is exemplified by the rapid increase in the U.S. trade deficit with China, which amounted to $6.1 billion during 1989 and is projected to exceed $10 billion during 1990.

The official announcement gave no specific reasons for the devaluation, explaining only that the decision was part of an effort to "deepen the country's economic and monetary reform and accelerate economic development." However, most analysts believe that one of the main objectives of this latest adjustment was to bring the official exchange rate more into line with the rates determined by market forces. Following the December 1989 devaluation, the official exchange rate of 4.7 RMB to the U.S. dollar was still generally regarded as overvalued. During most of 1990, the rates at the centers in China where both Chinese and foreign-funded enterprises are permitted to trade foreign exchange at rates mutually agreed upon by buyers and sellers (commonly called "swap markets") have remained at about 5.8 RMB to the U.S. dollar, and a similar rate has prevailed in China's black market for foreign exchange.

In establishing a new rate of 5.2 RMB to the U.S. dollar, the latest devaluation has considerably narrowed the gap between the official and market rates, reflecting China's policy of gradually reforming its financial system and eventually making its currency freely convertible. In the short term, however, the Chinese authorities reportedly hope that bringing the official rate more into line with market rates will attract more foreign investment and make it easier to obtain credit from international financial organizations such as the World Bank and the International Monetary Fund. As presently managed by China's State Agency for Exchange Control, the official exchange rate is a floating rate that is nominally linked to a trade-weighted basket of currencies but is in fact pegged to the U.S. dollar.

Import prices are expected to rise, helping to boost the trade surplus, but the potential reduction in export prices is less likely since China's plans to restructure the economy call for a reduction in its burgeoning Government deficit, including a cutback in export subsidies. The austerity drive that China initiated in late 1988 to curtail a record rate of inflation succeeded in slowing the economy but has had a severe impact on public revenues and expenditures. Funded primarily by domestic borrowing, the central Government deficit increased by 40 percent from 1988 to 1989 and continued to rise in 1990. Financial subsidies are responsible for at least one-third of the budget expenditures.

Many of China's manufactured exports are directly subsidized by the central government, and provincial and local governments also heavily subsidize goods produced for export within their jurisdiction. In addition to direct cash subsidies from the Ministry of Finance, indirect subsidies are also used, such as bank loans that are not repaid, and trading companies subsidize unprofitable exports with earnings from more lucrative products. Other export incentives that amount to subsidies include tax rebates to exporters and duty exemptions on imported inputs for export production. The devaluation provides an opportunity to lighten this burden by reducing both direct and indirect subsidies to inefficient export enterprises.

The large and expanding U.S. deficit in trade with China exemplifies China's success in converting its global foreign trade deficit of $6.6 billion during 1989 into a $4.9 billion surplus during the first three quarters of 1990. After increasing from $3.4 billion in 1888 to $6.1 billion in 1989, the U.S. deficit in trade with China during January-September 1990 amounted to $7.4 billion (based on official U.S. figures). U.S. imports from China increased by 29 percent compared with the corresponding period of 1989, but U.S. exports to China declined by 19 percent over this period. Although the slowdown in the Chinese economy and a series of new restrictions imposed to curtail imports appear to be largely responsible for the sharp downturn in U.S. exports to China, the devaluation in December 1989 was also a contributing factor. A further rise in China's import prices as a result of the latest devaluation could result in an annual U.S. deficit with China that is exceeded only by the U.S. deficit with Japan.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1987–October 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1987	1988	1989	1989 II	1989 III	1989 IV	1990 I	1990 II	1990 III	Jun.	Jul.	Aug.	Sep.	Oct.
United States	4.9	5.4	2.6	2.9	–1.3	0.2	0.6	4.3	3.7	8.0	2.2	0	1.1	–9.3
Japan	3.4	9.5	6.0	0.0	0.8	2.9	3.5	7.7	9.9	–1.9	23.3	3.8	–10.7	(1)
Canada	2.7	4.4	2.3	1.3	–0.2	–1.9	1.7	1.3	(1)	0	(1)	(1)	(1)	(1)
West Germany	2	3.2	5.3	4.8	1.4	8.4	8.3	–0.1	7.1	–30.8	30.6	0	–2.0	(1)
United Kingdom	3.4	3.6	.8	–0.7	6.1	0.2	–0.4	7.5	–11.5	25.1	–33.6	–7.4	–4.3	(1)
France	2.1	4.4	3.8	8.7	1.2	–1.2	–1.7	5.0	8.3	4.3	28.7	0	–13.6	(1)
Italy	2.6	6.9	3.7	3.7	9.4	0.6	–6.2	1.0	1.6	0	–7.8	28.7	–7.7	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 30, 1990.

Consumer prices, by selected countries and by specified periods, January 1987–October 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1987	1988	1989	1989 IV	1990 I	1990 II	1990 III	May	Jun.	Jul.	Aug.	Sep.	Oct.
United States	3.7	4.1	4.8	4.0	8.1	3.7	6.4	1.9	6.7	4.7	9.6	9.5	7.5
Japan	.1	.7	2.3	2.6	0.9	5.8	1.6	9.4	–6.5	–1.1	5.8	11.8	12.9
Canada	4.4	4.0	5.0	3.9	6.0	2.7	4.1	1.8	5.5	3.2	3.9	5.9	10.3
West Germany	.2	1.3	2.8	3.0	2.5	1.7	3.6	1.5	1.9	2.2	7.5	5.3	8.5
United Kingdom	4.1	4.9	7.8	7.6	8.8	15.7	9.7	12.4	7.4	8.5	11.5	10.9	7.8
France	3.3	2.7	3.5	3.9	3.1	2.6	4.3	2.9	2.3	2.5	7.8	7.6	5.4
Italy	4.6	5.0	6.6	5.9	5.8	5.4	7.2	5.2	5.6	7.1	10.0	6.5	6.6

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, Novemeber 30, 1990.

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1987–October 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1987	1988	1989	1989 III	1989 IV	1990 I	1990 II	1990 III	Jun.	Jul.	Aug.	Sep.	Oct.
United States	6.1	5.4	5.2	5.2	5.3	5.2	5.2	5.5	5.1	5.4	5.5	5.6	5.6
Japan	2.9	2.5	2.3	2.2	2.2	2.1	2.1	(3)	2.2	2.1	2.1	2.3	(3)
Canada	8.8	7.7	7.5	7.3	7.5	7.5	7.4	8.1	7.5	7.8	8.3	8.3	8.7
West Germany	6.2	6.2	5.6	5.6	5.5	5.3	5.2	5.1	5.2	5.1	5.1	5.0	4.9
United Kingdom	10.2	8.2	6.4	6.2	5.8	6.1	6.1	6.2	6.1	6.2	6.3	6.4	6.5
France	10.5	10.1	9.9	9.9	9.8	9.3	9.3	9.3	9.4	9.3	9.3	9.3	9.4
Italy	7.7	7.8	7.7	7.7	7.5	7.2	6.6	6.9	(2)	(2)	(2)	(2)	(2)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S.rate.

[2] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

[3] Not available.

Source: *Unemployment Rates in Nine Countries*, U.S. Deapartment of Labor, December 1990.

Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1987–November 1990

(Percentage change from previous period)

Item	1987	1988	1989	1989 IV	1990 I	II	III	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Unadjusted:													
Index[1]	94.1	88.0	91.3	91.0	89.6	89.7	85.3	89.4	87.0	84.8	84.0	81.8	81.1
Percentage change	–11.2	–6.5	6.4	–1.9	–.4	.1	–5.1	0	–2.7	–2.6	–.9	–2.8	–.8
Adjusted:													
Index[1]	91.8	87.4	91.8	91.8	90.8	90.9	86.8	90.5	88.3	86.2	85.6	83.9	83.4
Percentage change	–10.6	–4.8	6.8	–1.1	–1.1	.1	–4.7	0	–2.5	–2.4	–.8	–2.0	–.5

[1] 1980–82 average=100.

Note.—The foreign-currency value of the U.S.dollar is a trade-weighted average in terms of the currencies of 15 other major nations.The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S.price competitiveness.

Source: Morgan Guaranty Trust Co.of New York, December 1990.

Money-market interest rates,[1] by selected countries and by specified periods, January 1987–November 1990

(Percentage, annual rates)

Country	1987	1988	1989	1989 II	1989 IV	1990 I	II	III	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.
United States	7.0	7.8	9.3	8.9	8.6	8.4	8.4	8.1	8.2	8.1	8.1	8.1	8.1	8.0
Japan	3.9	4.4	5.3	5.4	5.6	6.2	6.7	(2)	7.4	6.8	6.9	8.3	(2)	(2)
Canada	8.4	9.6	12.2	12.3	12.4	12.9	13.7	13.1	13.7	13.6	13.2	12.6	12.5	(2)
West Germany	4.0	4.3	7.0	7.2	8.3	8.4	8.4	8.4	8.2	8.3	8.3	8.5	8.6	(2)
United Kingdom	9.6	8.9	13.3	14.0	15.2	15.2	15.1	15.1	14.8	15.0	15.0	14.9	13.9	(2)
France	8.1	7.9	9.2	9.2	10.3	11.0	9.9	10.2	9.9	9.9	10.1	10.3	10.0	(2)
Italy	11.2	11.0	12.7	12.9	13.3	13.3	12.8	11.8	(2)	12.1	11.9	11.3	11.7	(2)

[1] 90-day certificate of deposit.

[2] Not available.

Source: *Federal Reserve Statistical Release, April 2, 1990 Economic and Energy Indicators,* Central Intelligence Agency, November 30, 1990, *Selected Interest and Exchange Rates,* Board of Govenors Federal Reserve System, December 3, 1990.

Trade balances, by selected countries and by specified periods, January 1987–October 1990

(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

				1989	1990							
Country	1987	1988	1989	IV	I	II	III	Jun.	Jul.	Aug.	Sep.	Oct.
United States[1]	–152.1	–118.5	–108.7	–112.9	–101.2	–87.6	–113.1	–64.0	–109.4	–116.8	–111.9	–139.3
Japan	96.3	94.9	77.3	57.2	64.8	57.2	66.0	79.2	57.6	67.2	72.0	([3])
Canada	8.6	8.0	6.4	.8	6.0	11.2	11.2	18.0	10.8	7.2	15.6	([3])
West Germany[2]	65.7	72.7	72.1	65.2	90.0	62.4	60.4	48.0	75.6	64.8	40.8	([3])
United Kingdom	–16.9	–36.9	–37.9	–27.6	–38.4	–34.8	–28.4	–32.4	–36.0	–27.6	–19.2	([3])
France	–5.2	–5.4	–6.6	–8.4	–1.6	–7.6	–15.6	–2.4	–10.8	–12.0	–22.8	([3])
Italy	–8.3	–10.7	–12.8	–9.6	–14.4	–7.6	–10.0	–4.8	–9.6	–8.4	–10.8	([3])

[1] 1986, exports, f.a.s.value, adjusted; imports, c.i.f.value, adjusted.Beginning with 1987, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f.value.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, November 30, 1990 and *Advance Report on U.S. Merchandise Trade*, U.S.Department of Commerce, December 18, 1990.

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1987–October 1990

(Percentage, annual rates)

				1989	1990								
Country	1987	1988	1989	IV	I	II	III	May	Jun.	Jul.	Aug.	Sep.	Oct.
Commodity categories:													
Agriculture	7.0	13.9	17.9	5.1	4.9	4.1	3.3	1.3	1.4	1.0	1.2	1.1	1.2
Petroleum and selected product—(unadjusted)	–39.5	–38.1	–44.7	–11.4	–14.1	–10.8	–13.5	–4.0	–3.4	–3.7	–4.3	–5.5	–6.4
Manufactured goods	–146.1	–146.1	–103.2	–27.7	–19.4	–19.5	–27.0	–6.5	–6.9	–10.2	–9.4	–7.3	–10.4
Selected countries:													
Western Europe	–27.9	–12.5	–1.3	–.6	1.4	2.9	–.8	.8	.8	–1.3	–.4	.9	–.6
Canada[2]	–11.5	–9.7	–9.6	–2.8	–.9	–1.3	–2.7	–.6	–.7	–1.0	–.5	–1.2	–.2
Japan	–58.0	–51.7	–49.0	–12.2	–9.6	–9.9	–9.9	–2.9	–3.1	–3.0	–3.8	–3.1	–4.5
OPEC (unadjusted)	–13.7	–8.9	–17.3	–4.3	–1.8	–4.3	–6.6	–1.7	–1.2	–1.6	–2.2	–2.8	–2.7
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$15.02	$18.12	$16.80	$17.46	$19.26	$15.59	$19.45	$15.57	$14.64	$14.50	$19.54	$24.31	$29.04

[1] Exports, f.a.s.value, unadjusted.1986–88 imports, c.i.f.value, unadjusted; 1989 imports, customs value, unadjusted.

[2] Beginning with February 1987, figures include previously undocumented exports to Canada.

[3] Beginning with 1988, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f.value.

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, December 18, 1990.

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